

Exhibit No.:
Issue(s): *Prepayments, Materials and
Supplies, Customer Deposits,
Customer Advances, Dues
and Membership Expense,
Advertising Expense, Fire
Mains Maintenance Expense,
Postage Expense*
Witness: *Alexis L. Branson*
Sponsoring Party: *MoPSC Staff*
Type of Exhibit: *Direct Testimony*
Case No.: *WR-2024-0104*
Date Testimony Prepared: *August 20, 2024*

MISSOURI PUBLIC SERVICE COMMISSION
FINANCIAL AND BUSINESS ANALYSIS DIVISION
AUDITING DEPARTMENT

DIRECT TESTIMONY

OF

ALEXIS L. BRANSON

**LIBERTY UTILITIES (Missouri Water), LLC,
d/b/a Liberty**

CASE NO. WR-2024-0104

Jefferson City, Missouri
August 2024

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1 **DIRECT TESTIMONY OF**

2 **ALEXIS L. BRANSON**

3 **LIBERTY UTILITIES (Missouri Water), LLC,**
4 **d/b/a Liberty**

5 **CASE NO. WR-2024-0104**

6 Q. Please state your name and business address.

7 A. My name is Alexis L. Branson, 200 Madison St., Suite 440, Jefferson City,
8 MO 65101.

9 Q. By whom are you employed and in what capacity?

10 A. I am employed by the Missouri Public Service Commission (“Commission) as a
11 Utility Regulatory Auditor.

12 Q. Please describe your educational background and work experience.

13 A. I graduated from Columbia College in 2019 with a Bachelor of Science degree in
14 Business Administration, minor in Accounting. I completed many courses in accounting and
15 business. Prior to beginning my employment with the Commission in July 2022, I worked in tax
16 accounting, auditing, and record keeping.

17 Q. Have you previously filed testimony before the Commission?

18 A. Yes, I have attached a list of cases in which I have filed testimony before this
19 Commission as Schedule ALB-d1.

20 Q. With respect to Case No. WR-2024-0104, have you examined the books and
21 records of the Liberty Utilities (Missouri Water), LLC, d/b/a Liberty (“Liberty Water”)?

22 A. Yes, with the assistance of other members of the Commission Staff (“Staff”).

23 Q. What knowledge, skills, experience, training, or education do you have in the
24 areas of which you are testifying as an expert witness?

1 A. I have reviewed workpapers and testimony from prior Liberty Water general rate
2 cases. I also reviewed the data presented by Liberty Water in the current case on these issues.

3 **EXECUTIVE SUMMARY**

4 Q. What is the purpose of your direct testimony?

5 A. The purpose of my direct testimony is to present Staff's recommendations
6 concerning Prepayments, Materials and Supplies, Customer Deposits, Customer Advances, Dues
7 and Donation Expense, Institutional and Goodwill Advertising, Maintenance of Fire Mains, and
8 Postage Expense.

9 **PREPAYMENTS**

10 Q. Please explain prepayments.

11 A. Prepayments are an investment of funds provided by Liberty Water investors.
12 Prepayments are made in advance of the period to which they apply and typically represent items
13 such as insurance, rents, income taxes, and other taxes. Because these are goods or services
14 purchased with investors' funds, it is appropriate to add the amount of prepayments to rate base.

15 Q. Did Staff perform a review of prepayments?

16 A. Yes. Staff reviewed and analyzed historical monthly balances from June 1, 2021
17 through April 30, 2024 for each prepayment account to determine the proper amounts to
18 include in rate base. After analysis, Staff determined the balance did not follow a trend and
19 instead fluctuated month to month. Consequently, Staff used a thirteen-month average ending
20 April 2024 to determine the recommended level of prepayments. Staff included \$37,891 as an
21 addition to rate base for prepayments.

1 **MATERIALS AND SUPPLIES**

2 Q. Why are materials and supplies included in rate base?

3 A. Materials and supplies consist of everyday tools, or items that Liberty Water
4 might need on a daily basis to provide service to its ratepayers. Materials and supplies are
5 items such as tools, equipment, spare parts, etc. For the purpose of setting rates, these items
6 should be included in the calculation of rate base, because they are typically purchased with
7 shareholders' funds.

8 Q. Did Staff review materials and supplies for this case?

9 A. Yes. Staff requested, reviewed, and analyzed data provided for the period of
10 January 1, 2022, through April 30, 2024, for each materials and supplies account provided in
11 Liberty Water's response to Staff's Data Request ("DR") No. 0188.

12 Q. What did Staff determine based on that review?

13 A. Staff determined that Liberty Water classified the following as materials
14 and supplies: Misc Bill Clearing, Payroll Clearing, 401k Clearing, Payroll Benefit Clearing,
15 Transp Exp-DR-Clearing Only, and Preliminary Survey and Investigation Charges.

16 Upon review, Staff determined the clearing accounts listed did not constitute materials
17 and supplies used in the operation and maintenance of a water or sewer system. Liberty Water
18 has described these costs as a transitional balance waiting to be put into the appropriate account.

19 Q. What amount did Staff include in rate base for materials and supplies?

20 A. Staff included \$0 to rate base for materials and supplies.

21 **CUSTOMER DEPOSITS**

22 Q. What are customer deposits?

1 A. Customer deposits are funds required to be provided by certain customers in
2 order to initiate service as security against potential losses from failure to pay the utility for
3 service provided. Since deposits are supplied by the customers, a representative level is deducted
4 from Liberty Water's rate base to ensure that the utility does not earn a return on the value of
5 these deposits.

6 Q. Is Liberty Water required to return the deposits to customers after a period
7 of time?

8 A. Yes. After satisfactory payment over either a specified amount of time or
9 upon the satisfaction of certain requirements, Liberty Water must return the deposit including
10 accrued interest.

11 Q. Is customer deposit interest included in Liberty Water's cost of service?

12 A. Yes. Since Liberty Water is required to refund the deposits including interest, an
13 appropriate level of interest expense should be included in the utility's cost.

14 Q. How is interest expense determined?

15 A. Consistent with Liberty Water's tariff, Staff applied the prime interest rate
16 published in the Wall Street Journal (8.50% at December 31, 2023) plus 100 basis points, for a
17 total of 9.50% to its recommended customer deposit balance.

18 Q. Please explain Staff's recommended level of customer deposits included in rate
19 base and the corresponding adjustment for interest expense.

20 A. Staff reflected an amount for customer deposits of \$145,396. This amount is the
21 ending balance as of April 2024, for Liberty Water. The most recent balance was used because a
22 general upward trend in the customer deposits during the test year and update period was noted
23 for Liberty Water as a whole across multiple service areas. In addition to the amount deducted

1 from rate base, an amount for interest on customer deposits of \$13,813 has been included as an
2 adjustment to the income statement.

3 **CUSTOMER ADVANCES**

4 Q. Please explain customer advances.

5 A. Customer advances are funds provided by individual customers to assist in the
6 construction and extension of mains, facilitating water and/or sewer service to the customers.
7 No interest is paid to customers for the use of this money. Since these funds are an interest free
8 source of income to Liberty Water, they are included as a reduction to rate base.

9 Q. Did Staff perform a review of customer advances?

10 A. Yes. Staff reviewed historical balances for customer advances and determined the
11 ending balances at the end of the update period was the most appropriate amount to include for
12 customer advances due to the steady balance that was recorded. As a result, Staff recommends
13 \$6,597.00 as an offset to rate base for cash advances.

14 **DUES AND DONATIONS EXPENSE**

15 Q. What are dues and donations expenses?

16 A. Dues and donations are expenditures made by a utility to different organizations,
17 clubs, economic development programs, and other groups. Dues (memberships) are usually
18 defined as amounts a utility pays to organizations to allow the utility or its employees to
19 participate in and benefit from the organization's activities.

20 Q. What criteria did Staff use to determine what is allowed for dues and donations?

21 A. In the current case, Staff applied the same four criteria ordered by the Commission
22 in KCPL's 1985 general rate case, Case No. EO-85-185, to establish when dues and donations

1 expenses should not be included in customer rates. The criteria for not including these
2 expenses are:

- 3 (1) The expenses are involuntary ratepayer contributions of a charitable
4 nature;
- 5 (2) The expenses are supportive of activities that are duplicative of those
6 performed by other organizations to which the Company belongs or
7 pays dues;
- 8 (3) The expenses are associated with active lobbying activities which
9 have not been demonstrated to provide any direct benefit to the
10 ratepayers; or,
- 11 (4) The expenses represent costs of other activities that provide no
12 benefit or increased service quality to the ratepayer.

13 In regard to the first criteria listed above, if donations made to charitable organizations
14 are recorded by Liberty Water as a “below-the-line” expense amount, Staff did not make
15 an adjustment. Items “above-the-line” include expenses incurred in a utility’s operation that are
16 in the revenue requirement and are recovered through the utility’s rates. Items included
17 “below-the-line” typically represent non-operating income and expenses that are not recovered
18 in rates and consequently are not included in the determination of a utility’s revenue requirement.

19 Q. Did Staff make adjustment to remove any dues or donations?

20 A. Yes. Staff recommends several adjustments to disallow dues and memberships
21 incurred during the 12 months ending April 30, 2024 (update period) that were not related to a
22 current organization membership fees or dues. As a result, Staff’s annualized total is \$21,839
23 for dues and membership expense to be included in the cost of service.

24 **ADVERTISING EXPENSE**

25 Q. Did Staff review advertising expense for this rate case?

1 A. Yes. Staff reviewed Liberty Water’s balances and invoices related to advertising
2 for the period of January 1, 2022 through April 30, 2024. The ads are examined and classified
3 into one of the four categories defined within Case No. EO-85-185. They include;

- 4 1. Institutional/Goodwill- promote the name of the utility and boost a positive image
5 of the company to the public.
- 6 2. Promotional- encourages customers to use more of the utility’s product or
7 purchase additional services offered by the utility.
- 8 3. Safety- these ads encourage the safe use of the utility’s product, in this case gas.
- 9 4. General- information to the general public such as open hours for an office and
10 peak use warnings.

11 If there are no benefits to the rate payer, then the cost incurred will be disallowed from
12 the advertising expense.

13 After review, Staff determined that all costs within test year were recoverable advertising
14 expenses. Some of the expenses that Staff included in advertising expense are press releases
15 that promoted water conservation, information regarding winter weather preparation, and
16 customer notices that provided general information that are useful for the provision of safe and
17 reliable service.

18 Q. Does Staff recommend including any advertising expense in this rate case?

19 A. Yes. Staff did not disallow any advertising costs and recommends a total of \$1,731
20 for advertising expense to be included in the cost of service.

21 Q. Are there any additional advertising or promotional costs?

22 A. Yes. The company placed additional costs for promotional items in the National
23 Association of Regulatory Utility Commissioners (“NARUC”) Account 9239 titled “LU Region
24 Indirect Alloc”. Staff disallowed promotional costs such as prizes to support employee

1 engagement and branded products to support the company, based on the standards set within
2 Case No. EO-85-185. A total adjustment of \$(41.00) from Account 9239 will be made.

3 **FIRE MAINS MAINTENANCE EXPENSE**

4 Q. What is included in Fire Mains Maintenance Expense?

5 A. Maintenance of fire mains includes preventative and corrective expenses for the
6 maintenance of fire service mains and equipment to ensure the reliability and effectiveness of
7 fire protection systems.

8 Q. Did Staff perform a review of maintenance of fire mains expense for this
9 rate case?

10 A. Yes. The test year did not include any amount related to the maintenance of
11 fire mains. Liberty Water reclassified the test year amounts from Mains & Services Vehicle
12 (Account 874.1) to Maintenance of Fire Mains (674x).

13 Q. Did Staff reclassify Mains & Services Vehicle expense?

14 A. No. Staff reviewed invoices for the suggested accounts and determined these
15 expenses were related to the maintenance of company vehicles, and could not be attributed to
16 maintenance of the fire mains.

17 Q. Is Staff including any expense for maintenance of fire mains?

18 A. No.

19 **POSTAGE EXPENSE**

20 Q. Please explain postage expense.

21 A. Postage expenses are costs incurred for postage, freight, shipping and
22 customer billing.

Direct Testimony of
Alexis L. Branson

1 Q. Did Staff perform a review of postage expense for this case?

2 A. Yes. Staff reviewed Liberty Water's response to Staff DR No. 0229 in
3 which invoices for postage expense were provided for the period of January 1, 2022 through
4 April 30, 2024. Staff used the 12 months ending April 30, 2024 to annualize postage expense
5 in the amount of \$13,141. Staff's overall adjustment for postage expense resulted in an increase
6 of \$33,192.

7 Q. Does this conclude your direct testimony?

8 A. Yes it does.

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MISSOURI

In the Matter of the Request of Liberty Utilities)
(Missouri Water) LLC d/b/a Liberty for) Case No. WR-2024-0104
Authority to Implement a General Rate)
Increase for Water and Wastewater Service)
Provided in its Missouri Service Areas)

AFFIDAVIT OF ALEXIS L. BRANSON

STATE OF MISSOURI)
) ss.
COUNTY OF COLE)

COMES NOW ALEXIS L. BRANSON and on her oath declares that she is of sound mind and lawful age; that she contributed to the foregoing *Direct Testimony of Alexis L. Branson*; and that the same is true and correct according to her best knowledge and belief.

Further the Affiant sayeth not.



ALEXIS L. BRANSON

JURAT

Subscribed and sworn before me, a duly constituted and authorized Notary Public, in and for the County of Cole, State of Missouri, at my office in Jefferson City, on this 16th day of August 2024.

D. SUZIE MANKIN
Notary Public - Notary Seal
State of Missouri
Commissioned for Cole County
My Commission Expires: April 04, 2025
Commission Number: 12412070



Notary Public

Alexis L. Branson

Present Position:

I am a Utility Regulatory Auditor, Auditing Department, Financial & Business Analysis Division of the Missouri Public Service Commission. As a Utility Regulatory Auditor, I assist in research and analysis of the financial aspects of public utility operations.

Educational Credentials and Work Experience:

I completed a Bachelor of Science- Business Administration from the Columbia College in 2019. I completed many courses in accounting and business. Prior to the Commission, I worked in payroll, auditing, and record keeping for the State of Missouri.

Case Participation:

Company Name	Case Number(s)	Testimony/Issues
Missouri-American Water Company	WR-2022-0303 SR-2022-0304	CIAC/Amortization of CIAC, Office Supply and Service Expense, Promotional Items, PSC Assessment
Argyle Estates Water Supply	WR-2022-0345	Data Collection and Review
Confluence Rivers Utility Operating Company- CCN Lincoln CO	WA-2023-0026 SA-2023-0027	Certificate of Convenience and Necessity
Confluence Rivers Utility Operating Company- CCN Quail Run	WA-2023-0398 SA-2023-0396	Certificate of Convenience and Necessity, Depreciation Schedule

Cont'd Alexis L. Branson

Company Name	Case Number(s)	Testimony/Issues
Confluence Rivers Utility Operating Company - CCN Village of Luray	SA-2023-0437	Certificate of Convenience and Necessity
Liberty Empire	GA-2023-0110	Certificate of Convenience and Necessity
Spire ISRS	GO-2023-0203	ISRS Recommendation
Vicinity	HR-2023-0198	Materials and Supplies, Prepayments, Customer Deposits
Missouri-American Water Company- WSIRA	WO-2023-0008	WSIRA Recommendation
Raytown Water Company	WR-2023-0344	Bad Debt Expense, Bond Issuance Trust Fee, Dues and Donations, Insurance Expense, Materials and Supplies, prepayments, Printing and Postage, PSC Assessment
Confluence Rivers Utility Operating Company - CCN Lake Sherwood	WA-2024-0048	Certificate of Convenience and Necessity
United Services	SR-2024-0206	Payroll and Benefits Breakdown, Plant and Depreciation, Revenues and Late Fees
Liberty Utilities (Missouri Water), LLC, d/b/a Liberty	WR-2024-0104 SR-2024-0105	Customer Deposits, Dues and Memberships, Institutional or Goodwill Advertising Expense, Lobbying, Maintenance of Fire Mains, Meal and Entertainment Expense, Postage expense, Prepayment, Material and Supplies, Rent Expense.